



OHIO AUDITOR OF STATE
KEITH FABER



PLEASANT TOWNSHIP
PERRY COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Pleasant Township
Perry County
P.O. Box 472
Moxahala, OH 43761

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and the related notes of Pleasant Township, Perry County, Ohio (the Township).

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2020 and 2019, and the respective changes in financial position thereof for the year then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During the period January 1, 2019 to December 31, 2020, the Township did not properly allocate the Trustees' salaries and related payroll expenditures to the correct funds since no payroll certifications or other support was provided to charge funds other than the General Fund. The cumulative effect of these proposed 2020 and 2019 adjustments would decrease the General Fund cash balance by \$52,963 and increase the Special Revenue Gasoline Tax Fund cash balance by \$43,159, the Special Revenue Road and Bridge Fund by \$5,097 and the Special Revenue Cemetery Fund by \$4,707. The Township declined to make these adjustments.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash balances, receipts and disbursements for the General and Special Revenue Fund types, as of and for the years ended December 31, 2020 and 2019, and related notes of Pleasant Township, Perry County, Ohio, in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117- 2-03(D) permits, described in Note 2.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the Debt Service fund type and the Fiduciary fund type as of and for the year ended December 31, 2020 and for the Debt Service and fiduciary fund types as of and for the year ended December 31, 2019, and related notes of Pleasant Township, Perry County, Ohio, in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit, described in Note 2.

Emphasis of Matters

As discussed in Notes 10 and 11 for 2019 and 2020, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the Basis for Adverse Opinion on Regulatory Basis of Accounting paragraph, due to the General Fund's cash balance not being sufficient to support these adjustments. As of the date of this report, management does not have a formal plan in place to alleviate this situation. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

As discussed in Notes 11 and 13 to the financial statements for 2019 and 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township.

We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2022, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 16, 2022

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Pleasant Township
Perry County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,972	\$48,385	\$2,500	\$71,857
Licenses, Permits and Fees	0	815	0	815
Intergovernmental	16,963	142,205	0	159,168
Earnings on Investments	88	117	0	205
Miscellaneous	9,815	3,615	0	13,430
<i>Total Cash Receipts</i>	<u>47,838</u>	<u>195,137</u>	<u>2,500</u>	<u>245,475</u>
Cash Disbursements				
Current:				
General Government	40,023	0	0	40,023
Public Safety	0	40,082	0	40,082
Public Works	0	88,737	0	88,737
Health	0	14,893	0	14,893
Capital Outlay	0	70,000	0	70,000
<i>Total Cash Disbursements</i>	<u>40,023</u>	<u>213,712</u>	<u>0</u>	<u>253,735</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,815</u>	<u>(18,575)</u>	<u>2,500</u>	<u>(8,260)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds	0	70,000	0	70,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>70,000</u>	<u>0</u>	<u>70,000</u>
<i>Net Change in Fund Cash Balances</i>	7,815	51,425	2,500	61,740
<i>Fund Cash Balances, January 1</i>	<u>(6,920)</u>	<u>96,296</u>	<u>13,564</u>	<u>102,940</u>
<i>Fund Cash Balances, December 31</i>	<u>\$895</u>	<u>\$147,721</u>	<u>\$16,064</u>	<u>\$164,680</u>

See accompanying notes to the basic financial statements

Pleasant Township
Perry County, Ohio
Statement of Change in
Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose</u> <u>Trust</u>
<i>Fund Cash Balance, January 1</i>	<u>\$523</u>
<i>Fund Cash Balance, December 31</i>	<u>\$523</u>

See accompanying notes to the basic financial statement

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Pleasant Township, Perry County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of New Lexington, Village of Crooksville and the Village of Corning to provide fire protection and emergency medical services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

The Township’s management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a statement of change in fund balance (regulatory cash basis) for the fiduciary fund type which are all organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire Fund The fire levy fund accounts for and reports the property tax receipts restricted for fire protection.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Note Retirement Fund This fund accumulates resources for the payment of note principal and interest.

Fiduciary Funds Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2020 budgetary activity appears in Note 4.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits

The Township pools all available funds of the Township in an interest-bearing checking account and a savings account.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 – Compliance

Contrary to Ohio law, the Township did not obtain an amended certificate of estimated resources from the Budget Commission that included beginning unencumbered balances. The Township's appropriations exceeded the amount certified as available by the Budget Commission in the Motor Vehicle License, Cemetery, EMS, Fire, Miscellaneous Special Revenue funds and Debt Service fund by \$12,887, \$14,792, \$52,580, \$39,601, \$6,772 and \$6,918, respectively.

Also contrary to Ohio law, at December 31, 2020, the Road and Bridge Fund had a cash deficit balance of \$9,074.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,889	\$47,838	(\$11,051)
Special Revenue	140,322	265,137	124,815
Debt Service	0	2,500	2,500
Total	\$199,211	\$315,475	\$116,264

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,662	\$46,859	\$20,803
Special Revenue	254,142	234,811	19,331
Debt Service	7,000	0	7,000
Total	\$328,804	\$281,670	\$47,134

Note 5 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2020
Demand deposits	\$165,203

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township Trustees, Fiscal Officer and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plan (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries and the Township contributed an amount equaling 14% percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
Truck Note	\$70,000	2.960%

The Township issued a promissory note to finance the purchase of a new truck for Township road maintenance. The note entered into by the Township was not a legal method of debt for a Township under Ohio Rev. Code § 133.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	Truck
2021	\$15,079
2022	15,079
2023	15,079
2024	15,079
2025	15,079
Total	\$75,395

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Financial Difficulties

At December 31, 2020, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2019 that the Township declined to make):

Fund	December 31, 2020 Balance	Adjustments Not Made	Effect on December 30, 2020 Balance
General	\$895	(\$52,963)	(\$52,068)
Special Revenue	147,721	52,963	200,684

These adjustments were not made by the Township due to the negative impact posting these adjustments would have on the General Fund balance. The adjustments not made in the Special Revenue Fund type would have increased the Gasoline Tax Fund by \$43,159, the Road and Bridge Fund by \$5,097 and the Cemetery Fund by \$4,707. At this time, the Township does not have a formal plan in place to alleviate this situation.

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$6,836	\$21,099	\$27,935
Total	<u>\$6,836</u>	<u>\$21,099</u>	<u>\$27,935</u>

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Note 13 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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Pleasant Township
Perry County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$22,149	\$50,556	\$2,500	\$75,205
Licenses, Permits and Fees	0	665	0	665
Intergovernmental	17,081	117,226	0	134,307
Earnings on Investments	150	31	0	181
Miscellaneous	2,128	442	0	2,570
<i>Total Cash Receipts</i>	<u>41,508</u>	<u>168,920</u>	<u>2,500</u>	<u>212,928</u>
Cash Disbursements				
Current:				
General Government	51,655	550	0	52,205
Public Safety	0	64,098	0	64,098
Public Works	0	107,501	0	107,501
Health	0	12,698	0	12,698
Debt Service:				
Principal Retirement	0	0	11,518	11,518
<i>Total Cash Disbursements</i>	<u>51,655</u>	<u>184,847</u>	<u>11,518</u>	<u>248,020</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,147)</u>	<u>(15,927)</u>	<u>(9,018)</u>	<u>(35,092)</u>
Other Financing Receipts (Disbursements)				
Loan Proceeds	0	14,369	0	14,369
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>14,369</u>	<u>0</u>	<u>14,369</u>
<i>Net Change in Fund Cash Balances</i>	(10,147)	(1,558)	(9,018)	(20,723)
<i>Fund Cash Balances, January 1</i>	<u>3,227</u>	<u>97,854</u>	<u>22,582</u>	<u>123,663</u>
Fund Cash Balances, December 31				
Restricted	0	96,296	13,564	109,860
Unassigned (Deficit)	(6,920)	0	0	(6,920)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$6,920)</u></u>	<u><u>\$96,296</u></u>	<u><u>\$13,564</u></u>	<u><u>\$102,940</u></u>

See accompanying notes to the basic financial statements

Pleasant Township
Perry County, Ohio
Statement of Change in
Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2019

	Fiduciary Fund Type
	Private Purpose Trust
<i>Fund Cash Balance, January 1</i>	\$523
<i>Fund Cash Balance, December 31</i>	\$523
<i>See accompanying notes to the basic financial statement</i>	

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Pleasant Township, Perry County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of New Lexington, Village of Crooksville and the Village of Corning to provide fire protection and emergency medical services.

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The Township’s management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Fire Fund The fire levy fund accounts for and reports the property tax receipts restricted for fire protection.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Note Retirement Fund This fund accumulates resources for the payment of note principal and interest.

Fiduciary Funds Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of certain individuals.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2019 budgetary activity appears in Note 4.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits

The Township pools all available funds of the Township in an interest-bearing checking account and a savings account.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Compliance

Contrary to Ohio law, the Township did not obtain an amended certificate of estimated resources from the Budget Commission that included beginning unencumbered balances. The Township's appropriations exceeded the amount certified as available by the Budget Commission in the General Fund, Cemetery, EMS, Fire, Miscellaneous Special Revenue funds and Debt Service fund by \$5,503, \$13,373, \$1,702, \$7,872, \$4,172 and \$418, respectively.

Also contrary to Ohio law, at December 31, 2019, the General Fund had a cash deficit balance of \$6,920, and the Road and Bridge Fund had a cash deficit balance of \$16,978.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,850	\$41,508	\$17,658
Special Revenue	172,174	183,289	11,115
Debt Service	2,500	2,500	0
Total	\$198,524	\$227,297	\$28,773

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,106	\$54,067	\$11,039
Special Revenue	254,140	190,330	63,810
Debt Service	20,000	11,518	8,482
Total	\$339,246	\$255,915	\$83,331

Note 5 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2019
Demand deposits	\$103,463

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township Trustees, Fiscal Officer and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Pleasant Township
Perry County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Defined Benefit Pension Plan (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% percent of their gross salaries and the Township contributed an amount equaling 14% percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 10 – Financial Difficulties

At December 31, 2019, the following funds had adjustments, which the Township declined to make, in the following amounts:

Fund	December 31, 2019 Balance	Adjustments Not Made	Effect on December 30, 2019 Balance
General	(\$6,920)	(\$27,225)	(\$34,145)
Special Revenue	96,296	27,225	123,521

These adjustments were not made by the Township due to the negative impact posting these adjustments would have on the General Fund balance. The adjustments not made in the Special Revenue Fund type would have resulted in an increase in the Gasoline Tax Fund of \$21,793, the Road and Bridge Fund of \$2,925 and the Cemetery Fund of \$2,507. At this time, the Township does not have a formal plan in place to alleviate this situation.

Note 11 – Subsequent Events - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Pleasant Township
Perry County
P.O. Box 472
Moxahala, OH 43761

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type and the fiduciary fund type as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and the related notes of Pleasant Township, Perry County, Ohio (the Township), and have issued our report thereon dated February 16, 2022, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit. We issued an adverse opinion on the 2020 and 2019 financial statements due to the Township declining to make current audit adjustments. We noted the Township is experiencing financial difficulties. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2020-001 through 2020-003 and 2020-005 through 2020-008 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2020-003 through 2020-008.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 16, 2022

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2020-001

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Trustees are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2020 or 2019. The Township's monthly reconciliations of bank to book balances contained various unexplained reconciling items, which were labeled as "other adjusting factors" for December 31, 2020 and 2019 in the amounts of \$3,908 and \$1,760, respectively. Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

These reconciliation errors also resulted in the following adjustments to fund balance, with which management has agreed, being made to the financial statements:

<u>Fund</u>	<u>2020</u>	<u>2019</u>
General	(\$704)	\$1,617
Motor Vehicle License Tax	958	0
Gasoline Tax	(3,895)	(2,958)
Road & Bridge	59	0
Cemetery	1,233	0
Fire	10	0

Additionally, the Township's outstanding checklist included old outstanding checks. Carrying old outstanding checks on the reconciliations causes monthly reconciliations to become a cumbersome task and could cause errors and/or irregularities to occur and not be detected in a timely manner. Checks outstanding for more than one year should be investigated and voided from the Township's accounting system, if appropriate.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board of Trustees should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

For the fiscal year ending December 31, 2020, the following misstatements were noted:

- Homestead and Rollback receipts were incorrectly recorded as Property Taxes rather than Intergovernmental in the General Fund, Road and Bridge, Cemetery, EMS, and Fire Funds by \$3,883, \$1,294, \$436, \$546, and \$764, respectively.
- A Property Tax receipt was incorrectly allocated among funds resulting in receipts being overstated in the Motor Vehicle License Tax fund and understated in the Road and Bridge fund by \$2,977.
- Loan Proceeds and the Capital Outlay disbursement related to the loan issued in 2020 was not recorded in the Road and Bridge Fund in the amount of \$70,000. The related note was not included.

For the fiscal year ending December 31, 2019, the following misstatements were noted:

- Homestead and Rollback receipts were incorrectly allocated among funds resulting in receipts being overstated in the General Fund by \$120, Cemetery Fund by \$262, and Fire Fund by \$230 while being understated in the Road and Bridge by \$24 and EMS Fund by \$588. Additionally these receipts were recorded as Property Taxes rather than Intergovernmental.
- A Property Tax receipt was incorrectly allocated among funds resulting in receipts being overstated in the Road and Bridge Fund and understated in the Cemetery Fund by \$3,547.
- Loan proceeds on loan issued in 2019 were incorrectly recorded as Miscellaneous receipts in the amount of \$13,819 rather than as Loan Proceeds of \$14,369 and Disbursements of \$550 in the Gasoline Tax Fund.

Additionally, we noted the Township's footnotes had the following errors:

- The 2020 deposit note disclosure had \$174,915 as the total demand deposits but should have reported \$165,203. The 2019 deposit note disclosure had \$105,336 as the total demand deposits but should have reported \$103,463.
- The 2020 and 2019 budgeted receipts did not agree to the Amended Certificates of Estimated Resources in the budgetary note disclosure, and the actual receipts did not agree to the adjusted financial statements.
- The 2020 and 2019 appropriations did not agree to the approved budgetary amounts in the budgetary note disclosure. Also, the actual budgetary expenditures were incorrect for both years; they did not include the outstanding encumbrances.

Audit adjustments, with which management has agreed, are reflected in the accompanying financial statements and notes. In addition to the adjustments listed, we also identified additional unadjusted differences ranging from \$31 to \$2,515 that we have brought to the Township's attention.

Management should refer to the Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements. Additionally, management should utilize the Auditor of State website to access resources to assist in accurate completion of the notes to the financial statements.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-003

Findings for Adjustment, Noncompliance and Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

If using the annual salary compensation method, the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in Ohio Revised Code § 505.24(C), and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

In 2020 and 2019, the Trustee's did not complete time certifications, therefore, all gross salaries and related employer contributions (OPERS and Medicare) should have been paid from the General Fund.

However in 2020, the salaries were allocated 24.82% to the General Fund, 59.8% to the Gasoline Tax Fund, 7.64% to the Road and Bridge Fund, and 7.74% to the Cemetery Fund. In 2019, the salaries were allocated 18.28% to the General Fund, 62.38% to the Gasoline Tax Fund, 10.42% to the Road and Bridge Fund, and 8.92% to the Cemetery Fund. Additionally, the related employer contributions (OPERS and Medicare) paid did not follow the payroll allocation. It was paid 100% from the Gasoline Tax Fund for both years. These errors resulted in misstatements to the financial statements.

- In 2020, Public Works Disbursements were overstated in the Gasoline Tax and Road and Bridge funds by \$21,366 and \$2,172, respectively, and Health Disbursements in the Cemetery Fund were overstated by \$2,200. This resulted in General Government Disbursements in the General Fund to be understated by \$25,738.
- In 2019, Public Works Disbursements were overstated in the Gasoline Tax and Road and Bridge funds by \$21,793 and \$2,925, respectively, and Health Disbursements in the Cemetery Fund were overstated by \$2,507. This resulted in General Government Disbursements in the General Fund to be understated by \$27,225.

In accordance with the foregoing facts, a finding for adjustment has been issued in favor of the Pleasant Township Gasoline Tax, Road and Bridge, Cemetery in the amounts of \$43,159, \$5,097 and \$4,707, respectively, and against the Pleasant Township General Fund in the amount of \$52,963. These errors resulted in misstatements to the financial statements as the Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

The Township should draft, approve, and implement the implementation of policies and procedures to help ensure compensation and certifications are made in accordance with Ohio Rev. Code § 505.24.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-004

Noncompliance

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

- **Ohio Rev. Code § 133.22**, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.
- **Ohio Rev. Code § 133.10** permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.
- **Ohio Rev. Code § 133.15**, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.
- **Ohio Rev. Code § 133.18**, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2020, the Township issued a \$70,000 promissory note with their bank with payments starting in 2021. The promissory note was used to purchase a 2020 Truck with cab, bed, and other equipment. During 2019, the Township issued and paid off a loan with their bank in the amount of \$14,369. This loan was used to purchase a used truck and bed.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township. The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

FINDING NUMBER 2020-005

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The General Fund had a deficit fund balance of \$6,920 at December 31, 2019. Additionally, the Road and Bridge Fund had a deficit fund balance of \$9,074 at December 31, 2020 and a deficit fund balance of \$16,978 at December 31, 2019. Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Fiscal Officer and Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Township should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-006

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under § 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain an amended certificate of estimated resources from the Budget Commission in 2020 or 2019. This was not detected by the Township due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

Additionally, sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters. The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger. Since no amended certificates were obtained the approved Certificate of Estimated Resources (and/or amendments thereof) did not agree to the estimated receipts posted to the accounting system.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

FINDING NUMBER 2020-007

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

**PLEASANT TOWNSHIP
PERRY COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-007 (Continued)

Noncompliance and Material Weakness (Continued)

At December 31, 2020 the Township's appropriations exceeded the amount certified as available by the budget commission in the Motor Vehicle License, Cemetery, EMS, Fire, Miscellaneous Special Revenue funds and Debt Service fund by \$12,887, \$14,792, \$52,580, \$39,601, \$6,772 and \$6,918, respectively.

At December 31, 2019 the Township's appropriations exceeded the amount certified as available by the budget commission in the General Fund, Cemetery, EMS, Fire, Miscellaneous Special Revenue funds and Debt Service fund by \$5,503, \$13,373, \$1,702, \$7,872, \$4,172 and \$418, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board to reduce the appropriations.

FINDING NUMBER 2020-008

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 in all other subdivisions may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**PLEASANT TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-008 (Continued)

Noncompliance and Material Weakness

2. Blanket Certificate – The auditor or fiscal officer may prepare “blanket” certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, 80% and 100% of the transactions tested at year end at December 31, 2020 and 2019, respectively, were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Board followed the aforementioned exceptions. Additionally we noted an instance of a disbursement not being encumbered in the proper year for both December 31, 2020 and 2019. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

Officials’ Response: We did not receive a response from Officials to these findings.

Pleasant Township

Perry County, Ohio

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2020 and 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Ohio Rev. Code §5705.41(D)(1) for not properly encumbering.	Not Corrected	I did not completely understand what I really needed to do and was not given much advice.
2018-002	Reconciling factors on bank reconciliations.	Not Corrected	Working on improving.
2018-003	Ohio Rev. Code §505.24(D) for not completing certifications for Trustees' pay that was paid from funds other than the General Fund.	Not Corrected	I did not know that I needed certifications. I just thought I needed a resolution stating how much and from what fund they were being paid.
2018-004	Reclassifications and adjustments for errors in posting receipts and disbursements.	Not Corrected	I did not understand what exactly I needed to do and I did not feel that the person I talked to at UAN was really helpful.
2018-005	Reclassifications for errors of fund balances classifications.	Finding no Longer Valid	
2018-006	Budgeted Receipts from Certificate of Estimated Resources did not agree to posting in accounting system.	Not Corrected	I did not know this. I was always told that you had your balance resources and the estimated to work with for the year.
2018-007	Ohio Rev. Code §505.24(D) for not filing annual report by required date and errors on footnotes	Partially Corrected	Trying to do better. I did not really understand the Hinkle System.
2018-008	Ohio Rev. Code §5705.10(H) for having deficit fund balances	Not Corrected	I tried to do the audit adjustments, but really didn't feel that UAN gave me much guidance.

OHIO AUDITOR OF STATE KEITH FABER



PLEASANT TOWNSHIP

PERRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 3/1/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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